

**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING  
Whether there has been a violation of the  
Securities Act of Washington by:

Order No.: [REDACTED]

STATEMENT OF CHARGES AND  
NOTICE OF INTENT TO  
ENTER ORDER TO CEASE AND DESIST,  
TO IMPOSE FINES, AND TO CHARGE COSTS

[REDACTED]  
Respondent

THE STATE OF WASHINGTON TO: [REDACTED]

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents [REDACTED] have each violated the Securities Act of Washington. The Securities Administrator believes those violations justify the entry of an order against the Respondents to cease and desist from such violations and to charge costs pursuant to RCW 21.20.390, and, under RCW 21.20.395, to impose fines. The Securities Administrator finds as follows:

**TENTATIVE FINDINGS OF FACT**

**Respondents**

1. [REDACTED]  
[REDACTED]

2. [REDACTED]  
[REDACTED]

STATEMENT OF CHARGES AND NOTICE  
OF INTENT TO ENTER ORDER TO  
CEASE AND DESIST, TO IMPOSE A FINE,  
AND TO CHARGE COSTS

DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

**Nature of the Offering**

3.

4. From approximately November 7, 2017 to December 7, 2017, [REDACTED] conducted a “crowdsale” that was, in effect, open to the general public. During the crowdsale, [REDACTED] sold \$32 million worth of [REDACTED] Tokens. During this offering, investors purchased their [REDACTED] Tokens with Ether. [REDACTED] did not restrict this offering to accredited investors. Instead, [REDACTED] attempted to restrict the crowdsale to residents of certain areas. Before the crowdsale, [REDACTED] intended to use the crowdsale’s proceeds to complete its platform which it called [REDACTED] during the period prior to the crowdsale. Since the conclusion of the crowdsale, [REDACTED] has not issued any additional [REDACTED] Tokens to the public, forcing prospective purchasers to buy [REDACTED] Tokens through cryptocurrency exchanges.

*[REDACTED] and [REDACTED] Token Purchasers Viewed and Treated the [REDACTED] Tokens as Investments*

5. [REDACTED] promoted [REDACTED] Tokens as if they were investments prior to the crowdsale. For example, in the months preceding the crowdsale, [REDACTED] publicized on its website at the time, [REDACTED] the [REDACTED] Token’s prospects as an investment rather than its value as a utility coin to be used on [REDACTED]. For example, in [REDACTED] 2017, [REDACTED] boasted about its appearances on several websites

that cover the cryptocurrency community, including Coin Agenda, Coin Telegraph, and Cryptotraders.<sup>1</sup> Moreover, in [REDACTED] 2017, the [REDACTED] blog, [REDACTED], featured an item about a newly-formed partnership with [REDACTED] [REDACTED] [REDACTED] [REDACTED]<sup>2</sup>

6. Before and during the crowdsale, prospective purchasers were interested in the [REDACTED] Token's value as an investment, not as a utility coin. For example, in [REDACTED] 2017, a prospective purchaser stated in an email to [REDACTED] that he was not a cryptocurrency trader, but he wished to purchase and tuck away [REDACTED] Tokens for his children's future. In [REDACTED] 2017, prospective purchasers sent emails to [REDACTED] asking how they could track the [REDACTED] Token's value. Other prospective purchasers asked when the [REDACTED] Tokens would be listed on crypto exchanges. [REDACTED] told at least one prospective purchaser that [REDACTED] Tokens would be transferable after the crowdsale.

7. [REDACTED] continued to promote the [REDACTED] Token's value as an investment on its blog after the crowdsale. In [REDACTED] 2018, [REDACTED] promoted the [REDACTED] Token's listing on [REDACTED], a South Korean cryptocurrency exchange [REDACTED]. In [REDACTED] 2018, [REDACTED] included its listing on cryptocurrency exchanges Binance and Upbit. In [REDACTED] 2018, [REDACTED] promoted the [REDACTED] Token's inclusion on [REDACTED], a [REDACTED]d cryptocurrency exchange.

8. [REDACTED] also intended to rely on the [REDACTED] Token's value as an investment by dedicating a comparatively small amount of its reserve of [REDACTED] Tokens to compensate the app's users for [REDACTED] [REDACTED], and by paying its debts with [REDACTED] Tokens. Prior to the crowdsale, [REDACTED] had issued 7.5 billion

1 [REDACTED] Tokens. Of this amount, [REDACTED] made five billion [REDACTED] Tokens available to the public during the  
 2 crowdsale. [REDACTED] set aside less than fifteen percent of the 7.5 billion [REDACTED] Tokens for use as utility coins.  
 3 [REDACTED] also planned to pay marketing and promotion expenses with this amount. Furthermore, approximately  
 4 18.3% of the [REDACTED] Tokens were set aside for payment to employees, contractors, and to [REDACTED] partners,  
 5 among others.

#### 6 [REDACTED] *Did Not Provide Investors with a Disclosure Document*

7 9. [REDACTED] did not provide its crowdsale investors with a disclosure document containing all of  
 8 the material facts of the token investment. Consequently, [REDACTED] did not disclose in writing to the crowdsale  
 9 investors the risks related to investing in [REDACTED] Tokens.<sup>3</sup> Such risks include, but are not limited to, the risk  
 10 that [REDACTED] Tokens may not increase in value, the risk that cryptocurrency exchanges may not list [REDACTED]  
 11 Tokens and thus affect the liquidity of the tokens, the risk that exchanges that currently list [REDACTED] Tokens  
 12 may de-list them, and the risk that [REDACTED] Tokens may become significantly regulated.

#### 13 **Registration Status**

14 10. [REDACTED] is not registered to sell its securities in the State of Washington, and has not  
 15 previously been so registered.

16 11. [REDACTED] is not registered to sell its  
 17 securities in the State of Washington, and has not previously been so registered.

#### 18 **CONCLUSIONS OF LAW**

19 Based on the above Tentative Findings of Fact, the following Conclusions of Law are made:

20  
 21  
 22 <sup>3</sup> [REDACTED]  
 23 [REDACTED]

1           1.       The offer and/or sale of [REDACTED] Tokens described above constitutes the offer and/or sale of a  
2 security as defined in RCW 21.20.005(14) and (17).

3           2.       [REDACTED] has violated RCW 21.20.140, because, as set forth in the Tentative Findings of  
4 Fact, [REDACTED], offered and/or sold securities for which no registration is on file with the Securities  
5 Administrator.

6           3.       [REDACTED] has violated RCW 21.20.140,  
7 because, as set forth in the Tentative Findings of Fact, [REDACTED]  
8 [REDACTED], offered and/or sold securities for which no registration is on file with the Securities Administrator.

9           4.       [REDACTED] has violated RCW 21.20.010, because, as set forth in the Tentative Findings of  
10 Fact, [REDACTED], made untrue statements of material fact or omitted to state material facts necessary to  
11 make the statements made, in light of the circumstances in which they were made, not misleading.

12           5.       [REDACTED] has violated RCW 21.20.010  
13 because, as set forth in the Tentative Findings of Fact, [REDACTED]  
14 [REDACTED], made untrue statements of material fact or omitted to state material facts necessary to make the  
15 statements made, in light of the circumstances in which they were made, not misleading.

16           **NOTICE OF INTENT TO ORDER THE RESPONDENTS TO CEASE AND DESIST**

17           Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities  
18 Administrator intends to order, pursuant to RCW 21.20.390(1), that [REDACTED] and its agents and employees  
19 shall each cease and desist from violating RCW 21.20.140 and RCW 21.20.010.

20           Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities  
21 Administrator intends to order, pursuant to RCW 21.20.390(1), that [REDACTED]  
22 [REDACTED] and its agents and employees shall each cease and desist from violating RCW  
23 21.20.010 and RCW 21.20.390.

**NOTICE OF INTENT TO IMPOSE FINES**

Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that [REDACTED] shall be liable for and shall pay a fine of \$50,000. Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that [REDACTED] shall be liable for and shall pay a fine of \$50,000.

**NOTICE OF INTENT TO CHARGE COSTS**

Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that [REDACTED] and [REDACTED] shall be jointly and severally liable for and shall pay the costs, fees, and other expenses incurred in the administrative investigation and hearing of this matter, in an amount not less than \$10,000.

**AUTHORITY AND PROCEDURE**

This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to the provisions of Chapter 34.05 RCW. The Respondents, [REDACTED], and [REDACTED], Inc. may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If the Respondent does not make a hearing request in the time allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent order to cease and desist as to the Respondent, to impose any fines sought against the Respondent, and to charge any costs sought against the Respondent.

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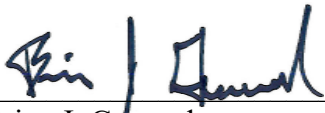
[REDACTED]



William M. Beatty  
Securities Administrator

Approved by:

Presented by:

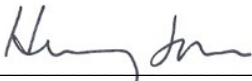


Brian J. Guerard  
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